

Message Text

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PAGE 01 LIMA 09249 011538Z

43

ACTION ARA-10

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C O N F I D E N T I A L LIMA 9249

E.O. 11652: GDS

TAGS: EIND, PINT, PGOV, PE

SUBJECT: GOP BEGINS TO PLAY DOWN EPSA SCANDAL

REF: LIMA 8955

1. SUMMARY: PRESS REPORTS ON THE EPSA SCANDAL THIS PAST WEEK, WHILE EXTENSIVE, HAVE BEEN TONED DOWN FROM THE WEEK BEFORE. WHILE THE NUMBER OF THOSE IMPLICATED HAS RISEN SLIGHTLY, THE ALLEGED AMOUNTS INVOLVED IN SCANDAL HAVE BEEN SCALED DOWN, AND A CONSCIOUS EFFORT SEEMS TO HAVE BEEN MADE TO AVOID ANY IMPLICATION OF INVOLVEMENT BY MEMBERS OF THE MILITARY. EFFORT NOW SEEMS TO BE TO PLACE BLAME SQUARELY ON CIVILIANS. INDEPENDENT WEEKLY "OIGA" HAS PRINTED INTERVIEW WITH PDC PRESIDENT CALLING FOR RESIGNATION OF MINISTER VALDEZ. WHILE THIS WILL EMBARRASS GOP, IT WILL PROBABLY CAUSE IT MERELY TO INCREASE ITS EFFORTS TO PROVE THAT MILITARY HAVE BEEN INNOCENT. END SUMMARY.

2. ALTHOUGH LIMA PRESS HAS CONTINUED TO REPORT EXTENSIVELY ON THE EPSA SCANDAL, THERE ARE INDICATIONS THAT GOP IS BEGINNING TO DEEMPHASIZE IT, IN PARTICULAR AS IT RELATES TO INVOLVEMENT BY MEMBERS OF THE MILITARY. ONE ARMY OFFICER ORIGINALLY DETAINED COMPLAINED TO THE PRESS AFTER HIS RELEAST THAT PUBLICATION OF HIS NAME UNJUSTLY
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PAGE 02 LIMA 09249 011538Z

IMPLIED HIS GUILT. HIS COMPLAINT WAS SUBSEQUENTLY TAKEN

UP BY COAP HEAD, GENERAL JOSE GRAHAM, WHO TOOK THE PRESS TO TASK IN A SPEECH IN WHICH HE SAID SUCH PUBLICITY WAS ABUSE OF PRESS FREEDOM (SIC).

3. MEANWHILE, THE RESIGNATION OF AGRICULTURE MINISTER VALDEZ, RUMORED TO HAVE BEEN IMMINENT, HAS NOT TAKEN PLACE. INDEPENDENT WEEKLY "OIGA" THIS WEEK PUBLISHED AN INTERVIEW WITH CARLOS QUIROGA, PRESIDENT OF THE CHRISTIAN DEMOCRATIC PARTY AND AN EDITOR OF "EL COMERCIO", IN WHICH HE CALLED FOR VALDEZ' RESIGNATION. THIS MAY HAVE SOME IMPACT, BUT MOST NOW BELIEVE VALDEZ WILL REMAIN IN OFFICE UNTIL HIS ALREADY SCHEDULED RETIREMENT AT THE END OF THE YEAR.

4. THE DIMENSIONS OF THE SCANDAL, AS IT HAS BEGUN TO EMERGE IN PIECEMEAL FASHION, HAVE ALSO BEEN SCALED DOWN. AMOUNT OF WHICH EPSA HAS BEEN MILKED IS NOW VARIOUSLY REPORTED AS RANGING ANYWHERE FROM 110 MILLION TO 1,194 MILLION SOLES (DOWN FROM AN EARLIER FIGURE OF 5.2 BILLION SOLES). THE NUMBER OF THOSE SAID TO BE INVOLVED, HOWEVER, HAS INCREASED TO 116, AND BY VIRTUE OF A NEW DECREE LAW THE AMOUNT OF TIME PROVISIONAL DETENTION MAY BE ORDERED IN SUCH CASES HAS BEEN INCREASED FROM TEN TO THIRTY DAYS.

5. EPSA AS AN ORGANIZATION CONTINUES TO BE BADLY DISORGANIZED. LEADERSHIP IS ABSENT, MORALE IS POOR, AND DECISIONS ARE GOING UNMADE. TO CITE ONE EXAMPLE, GOP-OWNED "LA CRONICA" REPORTS THAT COFFEE COOPERATIVES IN THE REGION BEYOND CUZCO COULD LOSE AS MUCH AS 600 MILLION SOLES BECAUSE EPSA HAS STOPPED BUYING COFFEE AND ADEQUATE STORAGE FACILITIES ARE UNAVAILABLE.

6. AS A BYPRODUCT OF THE PRESS COVERAGE, SOME FIGURES ARE BEGINNING TO EMERGE WHICH ILLUSTRATE THE AMOUNT BY WHICH THE GOP, THROUGH EPSA, HAS BEEN SUBSIDIZING FOOD CONSUMPTION. ACCORDING TO "LA CRONICA", SUBSIDIES ON THE SALE OF WHEAT AMOUNTED TO 1,808 MILLION AND 3,524 MILLION SOLES IN 1973 AND 1974, RESPECTIVELY. SUBSIDIES ON CORN WERE 524 MILLION SOLES AND ON POTATOES, 67 MILLION

CONFIDENTIAL

PAGE 03 LIMA 09249 011538Z

SOLES. BUDGETARY IMPACT OF SUBSIDIES THUS SUBSTANTIAL AND OPPORTUNITIES FOR GRAFT EVIDENT.

7. COMMENT: EMPHASIS OF GOP EFFORT TO GET TO BOTTOM OF EPSA SCANDAL, AS REFLECTED IN THE PRESS AT LEAST, SEEMS TO HAVE SHIFTED FROM "CAIGA QUIEN CAIGA" TO PLACING BURDEN OF BLAME ON CIVILIANS. GOP SEEMS TO HAVE AWAKENED TO DANGER OF PERMITTING INVESTIGATION AND PRESS TREATMENT

FROM GETTING TOO CLOSE TO SENIOR MEMBERS OF GOVERN-
MENT. THE CALL FOR VALDEZ' RESIGNATION FROM SOMEONE
AS INFLUENTIAL AS QUIROGA WILL UNDOUBTEDLY EMBARRASS
THE GOVERNMENT, BUT NOT NECESSARILY TO THE EXTENT OF
FORCING HIS REMOVAL.
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